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Submission of the City of Edmonton to the  
Alberta Task Force on Provincial 1



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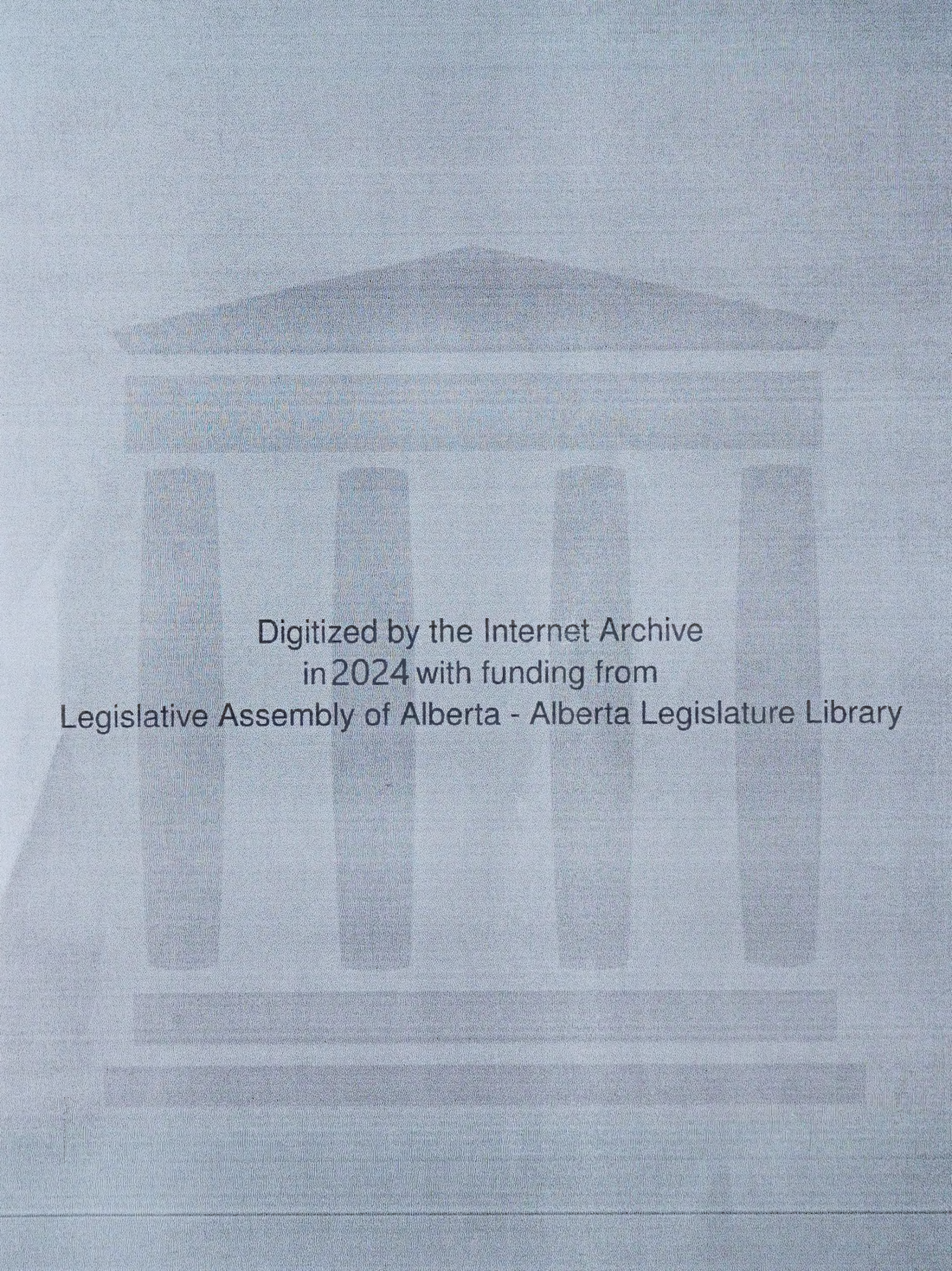
A  
SUBMISSION  
ON  
PROVINCIAL—MUNICIPAL FINANCING  
AND  
FARRAN TASK FORCE INTERIM REPORT  
BY  
THE CITY OF EDMONTON

OCTOBER 16, 1972

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# SUBMISSION SUMMARY

## A SUBMISSION

## ON PROVINCIAL-MUNICIPAL FINANCING

## AND FARRAN TASK FORCE INTERIM REPORT BY

THE CITY OF EDMONTON

OCTOBER 16, 1972





## SUBMISSION SUMMARY

### THE EDMONTON REACTION

- TO THE TASK FORCE

INTERIM REPORT

THE CITY OF EDMONTON

FINDS AS FOLLOWS:

1. The Farran Task Force Interim Report fails to achieve its terms of reference, that of seeking the proper division of responsibilities and relating each to specific sources of revenue.

The Task Force, though well intentioned, has indicated it is not properly equipped to meet the challenge. Faced by difficult time constraints it found itself caught in a dilemma and applied itself to "paying special regard" to finding "relief of property from the financing of human resource programmes."

2. The Interim Report recommends the Province assume increased responsibility for human resource programs, at the expense of municipalities, by withdrawing the Municipal Assistance Grants. For the City of Edmonton the proposed "trade-off", even if full benefits are received, will result in a deficit of a minimum of 1.3 mills. City Council will immediately have to levy an increase of 1.3 mills in order to break even and maintain the present level of service provided.
3. No allowance is made now or in the future for increased "elbow room" in the tax field in order to finance municipal services.
4. The proposals made to provide property tax relief apply to only 50% of the residents of our City. The other 50% who are renters of homes, apartments, duplexes or whatever do not benefit in any way. In fact they assume an additional tax load because of the additional tax levy of 1.3 mills referred to in Item #2.





# THE EDMONTON CASE:

THE CITY OF EDMONTON

SUBMITS AS FOLLOWS:

1. The Provincial Government is committed to face the challenge of resolving the Provincial-Municipal Fiscal Problem.
2. The City of Edmonton, along with other major municipalities in the Province, must be considered as a major and significant economic unit in the Province.
3. The role of municipalities in the affairs of our Province should be put in proper perspective.
4. The Province should assume full cost responsibility for "people" services such as Education, Health and Welfare. In the interest of service to the public and the attainment of maximum efficiency, the administration of all or portions of these programs could be left with local government.
5. The tax base of local government is inadequate. In order to meet present and future demands on it the Provincial Government must share the much larger tax base at its disposal. The Provincial Government must transfer funds unconditionally to local government and accept that they in turn are responsible and accountable to the citizens of Alberta for their use.
6. Local government, in order to adequately and efficiently plan for its future, must have more predictable sources of revenues that are also geared to growth to fund the programs and services for which it is responsible.
7. The problem is complex. It requires serious, indepth and innovative study. It is a matter of immediate concern. Sound and far reaching solutions must be found in the very near future.





THE CITY OF EDMONTON

THEREFORE CONCLUDES

THAT:

1. The Provincial Government must NOW establish a PROVINCIAL-MUNICIPAL FINANCE Commission empowered to review all aspects of the subject having the same terms of reference as that of the M.L.A. Task Force which was originally devised and ratified by the Provincial Government, the Alberta Municipalities Association and the Alberta Association of Municipal Districts and Counties.
2. In the interim, grants to the municipalities should be increased so that they do not have to raise additional revenues from property tax.

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PART I.

THE EDMONTON REACTION

- TO TASK FORCE INTERIM REPORT

PART II.

THE EDMONTON CASE





PART I.

THE EDMONTON REACTION

- TO TASK FORCE INTERIM  
REPORT

The City of Edmonton has reviewed the Interim Report of the Task Force on Provincial-Municipal Fiscal Arrangements and has also met with Mr. Farran and certain members of the Task Force for discussions on the same. The discussions were more of a "listening" session and it added to our interpretation of the brief. Suffice to say that it is far easier to be critical than to be constructive. However in our comments that will follow we hope we will impress upon you the seriousness of our concerns.

COMMENTS:

1. We recognize and keep in mind the quotation on page 33 as follows:

*"This is an interim report and any suggestions in it are tentative. It is not a position paper. It has been published in response to the public interest shown in the work of the Task Force, and because public reactions to the options would be useful before final conclusions are reached."*

2. We are grateful that the preamble to the report gives recognition to the financial problems faced by the municipalities and agrees with the position taken by them in the past. It states "the root of the problem was well enough known", however as a general observation the balance of the report falls far short of the remark of finding adequate solutions. It attempts to relieve a segment of the population of the property tax load at the expense of the municipalities per se, and in so doing we suggest professes to keep a political campaign promise.





3. The report, in conjunction with the presentation made by Mr. Farran, suggests the following will happen in the City of Edmonton:

Withdrawal of Municipal Assistance Grant                      9.3 mills.

Province will assume:

Hospital (in total)	1.6 mill.
Social Assistance	
(90% instead of 80%)	.6 mill.
Health	1.7 mill.
Senior Citizens' Homes	
(in total)	.1 mill
*Supplementary Requisition	
(to 90% from 85%)	<u>4.0 mills. 8.0 mills.</u>
<u>Net deficit</u> ...    ...    ...    ...	1.3 mill.

\* This calculation does not include proposed increased aid by way of increasing school foundation plan to 90% of education costs as on page 9. The report refers also to the possibility of a change in provincial grants to schools and a change in the current 6% increase before plebiscite plan. The municipality could therefore not be assured of any decrease in supplementary requisition.

Mr. Farran suggests that there is an attempt at a break-even point in the above calculations.

What is the advantage in the proposal? The province will assume costs related to hospitals, social assistance, health, senior citizens' homes and a portion of supplementary requisitions, all of which will be paid for by the municipal assistance grant funds being withdrawn from the municipalities. There



is vague reference to a future escalation of costs, but there is also a possibility of an escalation in the municipal assistance grants if it was changed back to the original concept of 1/3 of the total oil and gas royalty revenue in the Province of Alberta. We see no ultimate gain in this proposal, a relief in responsibility, but no additional elbow room in the resources available to municipalities. It is quite conceivable that should this proposal be instituted, the City Council of Edmonton would immediately have to levy from one to five mills in order to break-even and maintain their present level of services.

This in no way is tax reform for local government.

4. We recognize that the proposal allows for a tax relief to property owners within the municipality. However, if the relief is short-lived, inasmuch as City Council must impose a further tax levy to recoup the loss of the municipal assistance grants, it is a short-term solution.

City Council recognizes the relief is only to the property owners now receiving the homeowner discount and they are concerned that the report states:

*"and there is no way in which renters can be relieved."*

*..."the high rent situation is no longer acute in Alberta."*

Local government can in no way accept this proposition. The relief proposed is discriminatory and does not face the fact that many taxpayers in the city now paying through rent for all the services the city provides will never be able to afford a home of their own. There is also a large segment of citizens who choose renting so as to allow a mobility required in their position. They too pay in full for services provided. No landlord





under any circumstances can be construed as subsidizing taxes. It is imperative that renters receive equal treatment.

Because the municipality must levy an additional mill rate increase to recapture loss of revenues taken away by the province, the renter will not only not receive the benefit of property tax relief but he will also be taxed an additional amount. This is truly double taxation. However the municipal assistance grant received is based on population (including renters) and assessment (including rental properties).

5. Even if options A and B as methods of giving relief to property owners were correct in principle, it is a cumbersome method of doing so.
  - All forms of provincial aid direct to the property taxpayer result in exorbitant and unneeded administrative costs.
  - Tax policies and the administration thereof should be further simplified so they can be more easily understood by the layman or mister average taxpayer. This proposal only adds to the present confusion of "assessed value", "mill rate", "local improvements", "supplementary requisition", etc.
6. A significant portion of the interim report deals with the intricacies of assessment practices and procedures. Though a part of the general problem of fiscal relations, they are mainly technical in nature and should not be included in the main issues and cloud the basic topic.



7. In the past as well as in the second part of this submission, municipalities have tried to make the point that their basic problem results from an inadequate tax base, and that rather than increase the tax base it could result in the establishment of a municipal tax jungle, they be allowed to share in the resources of the province and of the federal government. We have tried to make the point that it is "*Our*" money - Edmontonians - Albertans - Canadians. The Task Force however continues to miss this point and still subscribes to that old theory that "*he who pays the piper - calls the tune.*" This in effect says the Task Force does not really believe in the "*responsibility of local government*" and because of this cannot bring itself to allow direct and unconditional aid.
8. The Task Force plays loose with facts and formulae.

There is no magic formula in suggesting that the property tax is good or bad at any specific percentage of market value of the property. We are aware that similar studies have been done in the United States, but such statements are subjective in nature and there is no basis in fact for their authenticity. Each and every municipality has a uniqueness and what is applicable to one is not to another. Therefore we suggest that this submission by the Task Force in no way can be construed as a possible elasticity of the municipal tax base.

Similarly, the reference made on page 10 "*to the proper size of government budget*" is 35% of the gross national product of its area of jurisdiction is pure conjecture on anyone's part. Again there is no magic formula as to the expenditures to be made by the public sector versus the private sector in our economy. It is an ever-changing and will be an ever-changing condition dependent upon the wishes of the citizens of Canada and the Province of Alberta and the municipality of Edmonton as they indicate to us the services which they wish us to provide.





SUGGEST:

The City of Edmonton suggests to the Government of the Province of Alberta that pursuant to comments made in Part II, of our submission the M.L.A. Task Force on Provincial Municipal Financing has not come forth with an adequate study as envisaged by the municipalities and in accordance with the terms of reference it was provided.

As we state in our basic submission this is not a problem to be studied by a Task Force on a part-time basis. It is a study which requires full-time, fully qualified, key personnel backed up by an adequate and sufficiently trained research staff that will study in depth, examine the alternatives and reach adequate solutions. We therefore do not fault the Task Force inasmuch as this provision was not allowed them. We recognize that it is comprised of a number of very knowledgeable, qualified, experienced people in the field of municipal government. We only suggest they were not allowed due to these constraints the tools required to achieve their goal.

We therefore recommend that the government do NOW establish a PROVINCIAL-MUNICIPAL FINANCE COMMISSION empowered to review all aspects of the subject having the same terms of reference as that of the M.L.A. Task Force which was originally devised and ratified by the Provincial Government, the Alberta Urban Municipalities Association and the Alberta Association of Municipal Districts and Counties.

and

We further recommend that in the interim, grants to the municipalities should be increased so that they do not have to raise additional revenues from property tax.



PART II.

THE EDMONTON CASE

THE QUEST:

More than twenty years ago, the Government of the Province of Alberta enunciated three major premises regarding the financial resources of local government.

- a) It is essential to the good and welfare of the people and to the progress of the Province generally that municipal and other local governments be assured sufficient financial resources to properly discharge their responsibilities without resorting to oppressive taxation and/or excessive borrowing.
- b) The costs of local government have increased rapidly during recent years and in many cases have reached a level which cannot be maintained within the framework of their presently available local sources of revenue without inviting serious consequences.
- c) Increased provincial financial assistance to local governments should not be provided merely to make possible still greater local expenditures but should be used, at least in part, to afford an actual easement in the heavy burden of taxation presently borne by ratepayers in Municipalities. (Premier Manning, 1951 Budget Speech)

Since that time much has been done in this field by way of legislation and considerable study has been done by both levels of government to see that these aims are achieved. One of the initial studies by the provincial government was that of the Public Expenditures and Revenue Study Committee which pointed out the need for financial reform in many areas of government and led to increased aid to local government. However, the municipalities felt it did not go far enough and that progress to this end was too slow. In 1968 the cities of Alberta, the Public and Separate School Boards in each city and The Alberta Urban Municipalities Association published and presented to Premier Manning "URBAN CRISIS" an Alberta Municipal Finance Study which, to quote:

*"We believe proves the need for a complete realignment of fiscal policies vis-a-vis Provincial-Municipal relationships. We not only stress the necessity of further aid to municipalities but suggest an obligation because of the broader tax base available to the Provincial government."*





*"We strongly suggest that there is an urban crisis in many areas of municipal operations but most important is the lack of financial resources available to the municipality."*  
(letter of transmittal)

There followed a series of legislative action as well as committees and studies such as:

- Bill 35 An Act to Amend the Assessment Act.
- The Ministers Committee on Education Financing.
- The Special Legislative Committee on Assessment and Taxation.
- Bill 28 An Act to Amend the Municipalities Assistance Act

Our city replied to and participated in the above and in 1970 joined with all the cities, towns and villages in the province to enunciate the municipal view in a position paper entitled:

- The Urban Fiscal Problem --- Piecemeal or Aggregate Solutions?

The paper was adopted by the 64th Annual Convention held in Calgary in 1970. It acknowledged the work and actions of the government and stressed that the piecemeal approach "though helpful, is not a satisfactory or proper course" and stated firm positions in the categories of:

Assessment

Taxation

Fiscal Planning.

From this, in the next Speech from the Throne, came the promise of an Alberta Provincial-Municipal Fiscal Commission which would have broad terms of reference to review the responsibilities of the provincial and municipal governments and the sources of revenue available to each meet its respective responsibilities. The present government,



in one of its first actions, replaced the Commission by the M.L.A. Task Force on Provincial-Municipal Financing with similar terms of reference.

It should also be noted that it was in the interim period between position paper and Commission which became M.L.A. Task Force that the previous government revoked a promise to municipalities of one third of the revenues from oil and gas royalties in the form of an unconditional Municipal Assistance Grant and pegged the assistance at \$38,000,000 per year. The municipalities reacted vehemently accusing them of bad faith and the present government, then seeking election, promised amends.

This submission therefore does not intend, to once again, state or attempt to prove the financial plight of municipalities. Neither does it profess to supply the solution to such a complex technical and political problem.

Much study has been and is being done throughout the continent on this very matter. The Ministry of Urban Affairs just last month allocated \$232,000 to two University of Toronto professors to research the "*revenue expenditure*" problems of cities. The President of the U.S.A. commissioned his Advisory Committee on Intergovernmental Affairs to study the use of the "*added value*" tax to finance education, thus relieving the present burden on property tax, and the municipalities of Canada will suggest to the forthcoming tri-level conference in November that such a study be of high priority in future plans.

We therefore offer some broad general viewpoints and suggest possible areas of study by your government that may lead to ultimate solutions. These solutions must of necessity be sound and far reaching so that in but a short time we do not again reach an "*Urban Crisis*".





## THE CITY AND THE ECONOMY:

The City of Edmonton has in the post World War II period been one of the fastest growing urban centres in Canada and on the North American Continent. While it is usual to think of urban growth in terms of population increases, the statistics indicate that the growth has also been in terms of economic activity and the public facilities required to serve this growth.

It is well known that the Province of Alberta has experienced unprecedented growth and development and it is continuing to experience the same. However growth of Alberta's cities has been even more rapid. For example, in 1956 the population of the City of Edmonton represented some 20% of Alberta's population and in 1971 approximately 27%. Similarly the value of building permits issued in Edmonton in 1957 was 37% of the Alberta total and in 1971 it was 45%. Wholesale trade, another indicator, increased from 25% of the Alberta total in 1957 to 37% in 1971.

While the above percentages are particular to Edmonton they represent what has occurred and is occurring in all Alberta's larger urban centres. Assuming the trend continues, Edmonton and Calgary together will, in the not too distant future, account for over 2/3 of the population and economic activities of the Province. Edmonton's population is projected to be approximately 30% of that of the Province by 1981.

Edmonton is in fact the focus of all activity in the northern half of the Province. Moreover, the City is situated such that it has the potential to benefit greatly from current and future northern development. It is a natural point of departure for the MacKenzie River Valley which in turn is the main centre for development in the North West Territories. The well-being of the region of which Edmonton is a centre depends on Edmonton's ability to provide the goods and services required by the region. Not only Edmonton, but the whole of the Province of Alberta will benefit from Edmonton being able to maintain its strategic importance with respect to northern development.



The potential undoubtedly exists for the trends to continue as pointed out above and for continued economic development of the Edmonton region and of the Province. However, in order for this potential to be realized there must be an adequate provision of public facilities and services as part of the basic economic infra-structure. A very significant and necessary element of this infra-structure is the municipal services and facilities which are required for the people, farm organizations, etc. which locate within an urban area. For example: roadways, utilities, land flow developments, schools, communications facilities and the like are all necessary basic requirements.

But Edmonton is also a city of people. Today's people are proud of Edmonton. We are proud of our clean air, unclouded by pollutants as are other cities in North America. We are proud of the relatively smooth flow of our traffic. We are proud that our city centre is vibrant and growing rather than decaying as in so many cities. Perhaps most of all we are proud that we have been able to do what many cities dream of doing -- maintaining the wide expanse of the North Saskatchewan River Valley as parkland for the enjoyment of our citizens and our visitors.

Edmonton is one of the "*Big Cities*" that has traditionally held a major attraction for folk from smaller communities. Today, however, that rather mystical attraction has been replaced by the economic necessity of being where the jobs are, and so the yearly migration, not only of young people but of families seeking better employment and better conditions goes on from country to city and Edmonton becomes larger and larger. This is so in part because large centres are able to support many services and amenities which cannot be sponsored in areas of more scattered population. People come to Edmonton for hospitalization, for post-secondary education at university or technical schools, for entertainment and for cultural events such as symphony, opera, theatre and the popular "stars" at the Jubilee Auditorium and for professional sports.





This uniqueness places demands on the taxpayers of the citizens of Edmonton which are not part of the demands of the taxpayers of smaller, less central communities. This burden is compounded as well inasmuch as large centres cannot rely on the volunteer services provided citizens as in small centres and must pay for this to be done.

We must, however, point out that in this report we speak of the "*economic city*" and the "*political city*". The "*economic city*" refers to a place for economic production and a place for people to live. A city of low unemployment; a city relatively free from want; and a city with a solid tax base; a city that is growing and achieving commercial and industrial development.

The "*political city*" refers to the municipal government per se; a unit that plays a vital role in the economy of our city, but also has specific problems mostly related to the government's capacity to raise the revenue necessary to provide the services expected by its residents. Considering the fact that local government's ability to raise the revenue is very much the result of the legal authority it has to tax and charge fees, it should be clear that this is a subject divorced in large part from the overall economy of the city itself though the ultimate sources of local revenue are closely related to the financial resources of the city's residents and institutions.



## GOVERNMENT AND URBANIZATION:

Much has been written and said about urbanization. It really means that more and more people wish to live in an urban environment. It is a fact, and a fact that urban communities must contend with, but this era of urbanization is also an era of increasing expectations. People demand and expect more from life, but the reverse is happening. The quality of life in the larger American cities is declining. There is a great sense of alienation by many of the citizens -- no participation in a democratic political process, poor housing conditions -- all these and many more are reflected in the large urban centres. What has happened is that government orientated and structured for a different form of life style has not adapted and reorganized to meet the changing needs of its citizens. Urbanization necessitates the need for a change in the role of local government.

Local government is the government closest to the people and can best serve the interest of its citizens. Politicians as members of local municipal councils can monitor the needs of the citizens and are in a position to respond to these needs through policy changes. The further removed government is from the people the less flexible it becomes in policy changes. In our changing society where the rate of change itself is a factor in social upheaval there is a greater need for immediate response by government to changing social needs, and government at the local level is best suited to fulfill this role. We must also recognize the fact that decisions cannot be made in isolation from the people. Citizens demand to be part of the decision-making process. Citizens are going to become involved regardless. Government administrative procedures must be revised to accommodate this. All levels of government are being made increasingly aware in this change of attitude and it can be most effective at the local level.

Local government is a necessity. It must remain but its role must change. It has been argued that the role of local government should be determined by the scope of its tax base. The property tax, being the main revenue source available to local



governments' was used to provide those services relating to the maintenance and protection of property. These needs were local in character and the justification for levying at the local level seemed reasonable. However, property taxes have also been used to finance education, although the benefits flowing from this service were social in character and benefitted society generally, not just the immediate community.

In terms of today's life styles, today's needs, fewer services can be identified in terms of "local" needs. Society is not only complex, it is also mobile. The nature of our society is socially orientated, socially concerned. Few problems can be completely resolved at the local level. Many of our problems are national and international in character. They are manifested at the urban level. Because they appear at the urban level they must initially be handled by local government. There remains to determine if such needs should continue to be handled by that level of government. The role of government therefore has changed. It cannot be expressed in terms of tax base realizing full well that finances are a major concern. The needs of citizens within the urban scene must be assessed in terms of social needs, in terms of a more meaningful life style where social and economic needs are harmonized. The emphasis is away from services to property to these changing needs.

We are part of a federal system of government. The areas of responsibility between the federal and provincial governments are set out in the B.N.A. A constitution that was written over 100 years ago and now requires revision to meet today's needs. The impact of the federal government is great upon us. It is reflected constantly in urban areas. For example, the housing policy of the federal government is of major concern to urban municipalities, for such legislation helps to determine the physical size of our cities and towns and dictates expenditures made by local governments. The interdependence of levels of government thus becomes very obvious. Because we relate to the federal government through our provincial governments the relationship between provincial government and its municipalities is critical. This relationship





must now be re-examined.

We recognize that municipalities are subordinate to the provincial government, i.e. they are creatures of the province. We also recognize that the provincial government has far greater financial resources at its disposal compared to municipalities who must rely basically on the property tax. We further recognize that the provincial government has a responsibility to the citizens of the province, but it is a shared responsibility with municipal governments. It is this sharing of responsibility that is critical, and it is this we must examine.

Under the British North American Act the provinces are responsible for municipal affairs, and the effectiveness or otherwise of municipal governments will depend upon the role assigned it by the provincial government. If the provincial government lacks a clear understanding of the municipal role then it must follow that the municipalities cannot themselves define their role. This becomes critically important when one remembers that urban services transcend narrow jurisdictional boundaries. One has only to consider the many social services, including education, whose benefits far transcend municipal boundaries. Further such activities as park development, highway construction, etc. must be integrated into regional systems.

Economic development is the essential element of urbanization. People are attracted to those urban areas where they can find gainful employment. As a result of this, urban municipalities must manage the demographic responses to such development. This involves the best use of land within the municipal boundaries to provide or create an acceptable or desirable life style. Municipal government is vitally concerned with land. Each location can be utilized in various alternate ways. Municipal planning is therefore concerned with maximizing the social returns from the use of land.



These only serve as examples to point the close inter-relationship between the various levels of government. We believe the provincial government has to address itself to some very basic decisions, and we suggest some of these might be:

1. The provincial government must formulate sets of instrumental guidelines respecting the programs of its departments and agencies insofar as they affect urban lives. Present policies are prepared in a vacuum without regard for the municipalities and without adequate consideration of the problems the municipalities must deal with in order to accommodate and often implement these policies.
2. The provincial government must develop policies respecting such aggregates and sectors as industrial location, population distribution, transportation, natural resource development and energy. Having done that the provincial government approximates governments' goals of maximizing economic growth and social opportunities. If these goals are thoughtfully developed then the role of local government will become more clearly definable.
3. All levels of government, federal, provincial and municipal must participate in developing overall objectives. This we have mentioned in No. 2, but here we emphasize the federal responsibility.

There must be co-operation and a sharing of responsibility in the development of urban programs. As the Economic Council of Canada states:

*"The essential need is for a synthesis, a comprehensive philosophy, a co-ordinated concept of urban development."*

4. Municipal governments must accept a greater responsibility for determining priorities within a given tax structure.



Clearly there will always be financial constraints. The ordering and re-ordering of priorities is ongoing. At the present time it is not being done. The municipalities must be prepared to show their responsibility by defining goals and objectives within the financial constraints.

5. The existing tax base and revenue sources must be explored. There have been many criticisms made of the property tax. Nonetheless, it is the major tax source and, if for no other reason, it will continue to be used as a revenue source. Greater efforts must therefore be made to improve assessment and tax collection procedures.





#### TOWARDS SOLUTION:

Keeping in mind the three major premises made by the provincial government in 1951 let us look at three more basic premises for use in this time and place and in your study.

#### LOCAL SERVICES:

First, we suggest that municipalities should be expected to provide from their own sources of revenue those services which are of purely local benefit, with the exception of some such as primary and secondary education which are beyond the ability of property to support.

Municipalities should be expected to build and maintain their own streets, to light them, to provide police and fire protection, to arrange for the distribution of water and the collection of sewage, to provide neighbourhood and district parks and recreational facilities, to promote their own business, industrial and tourist developments. These are services to people and property of primary local benefit which the property tax could reasonably be expected to support.

#### REGIONAL SERVICES:

Second, we suggest the services which are regional in nature are the joint responsibility of the benefitting municipalities in the province. It is in the best interest of the province to ensure that these are carried out in an orderly manner.

Benefitting municipalities in the province should be expected to share in the cost of regional parks, of major roadway networks which cross boundaries or are occasioned by influences outside the control of the site municipality, to maintain and control such roadways and other major facilities which are of benefit to more than the site municipality.

#### GENERAL SERVICES:

Third, we suggest that there are services which are of general benefit to the people and which are beyond the ability of the property tax to handle. These services must be the financial responsibility of the province, although administrative responsibility may best be left at the local level.

The province should reasonably be expected to pay for



education, social assistance, health services, administration of justice, libraries, and various other provincial facilities.

### EXAMINATION OF PREMISE #3

#### Provincial Responsibility:

We suggest the following "People" services might well be the responsibility of the provincial governments in conjunction with federal assistance.

#### Social Services:

In general the city's position can be summarized as follows:

*"That social assistance be considered a provincial responsibility ."*

*"Preventive social service programs are best delivered at the local level."*

The prime concern of any social service program is the well being of the recipient of this assistance. The program must be designed to provide the assistance effectively and efficiently. In essence it must ensure a smooth flow of resources for living to people who are unable, temporarily or permanently, to supply the resources to meet their own needs. The demand for such resources bears no relationship to taxes levied on the assessment of property. It is related to the economy as a whole. Therefore, the resources should be supplied from sources of public revenue which are also related to the economy - in other words, from the other general revenues of the province.



There is presently a partial recognition of responsibility by the senior levels of government. Under the provisions of the Canada Assistance Plan and the Social Development Act the cost-sharing of municipal assistance and administrative costs is 50% federal, 30% provincial and 20% municipal. Some other provinces in Canada have assumed full responsibility for social assistance. Under the present arrangements there is some confusion as to whether the required assistance is a provincial or city responsibility. The Province of Alberta should assume full responsibility for this program and relieve property tax payers of the present responsibility for the 20% of costs. The Province might contract out to municipalities the administration of the program.

Preventive services are distinct from the need to supply resources for living (Social Assistance). In essence these programs aim at enriching the lives of the participants and thus strengthening family life and individual functioning. Hopefully, effective preventive programs will limit the degree of economic dependency and costly casualty programs related to broken families and child care.

Preventive social service programs are directly related to local situations, designed to meet local needs. The municipalities should retain administrative responsibility for these programs. These preventive and specialized services are best delivered at the local level because particular needs in Edmonton are best understood by Edmontonians. Without the city taking the initiative to implement such programs with higher level financial participation such services could be seriously restricted.

#### Senior Citizens Bus Passes:

For several years the City of Edmonton has provided some senior citizens with bus passes. This has been an effective way to assist these people to remain independent and active in the community.





There are approximately 29,000 citizens in Edmonton over 65 years of age. Approximately half of that group receive the guaranteed income supplement from the federal government, which indicates that they are living on minimal old age pensions. It is that group predominantly who apply for and receive the benefit of free bus passes.

This transportation service assists senior citizens to maintain community involvement and limits isolation, loneliness and resultant deterioration. The value of ready access to community services and retail outlets has been expressed by many citizens who use the passes. They indicate that on their limited incomes it would otherwise be impossible. Costs of this service for 1972 are approximately \$900,000.

#### Comprehensive Health Care

To make available to all Canadian citizens a minimum health standard of medical service is a basic objective of all levels of government. Health programs incorporating all facets of medical assistance are mainly financed by the higher levels of government, together with individual contributions.

The responsibility to provide health services must lie with these levels of governments. This they recognize by assuming in large measure the funding of the programs. In no sense can the provision of health care be seen as municipal responsibility, although this is not to say that local communities should not be able to have a meaningful input into the standards and type of health care to be provided to the local community.

Health care costs are spiralling in spite of efforts to contain costs. New approaches to health services are being sought, e.g. comprehensive medical clinics and care centres. Both are an effort to reduce costs and improve the comprehensiveness of the services.



We can clearly identify these services as social services and, therefore, not fundable within the existing framework of the property tax.

The City of Edmonton owns and operates the Royal Alexandra Hospital. Costs in excess of "approved" costs must be financed through a property tax levy. Additionally, the Local Board of Health levies the city for additional funds, although this body is not under the jurisdiction of City Council. The services provided by the Board are similarly social services and should not be funded from property tax. These health services we maintain to be the responsibility of the higher levels of government and not a responsibility of city municipal government. Costs in this category for the City of Edmonton in 1971 approximated \$3,000,000.

#### Transportation

The transportation problem is a by-product of urbanization. It is a vital element in the physical, social and economic "livability" of the city and its region. While the efficiency of the transportation system is important so also are its effects on the patterns of the communities creating the form of the city itself.

The primary objective of the City's transportation system is *"to endeavour to secure the best use of what it possesses in terms of transportation facilities and resources available"*. To achieve this objective, substantial sums of monies are required. A conservative estimate indicates that \$15,000,000 per annum will be required for the implementation of an adequate transportation system.

The assigning of responsibilities for an adequate municipal transportation system must remain the prerogative of the municipal government. Nonetheless, the financial commitments are clearly beyond the resources of municipal government. Provincial governments have recognized this and have in the past made funds available for the construction of roadway systems, etc. particularly for roads necessitated by develop-



ment outside city boundary. However, greater infusions of means are required, whether federal or provincial, as an adequate transportation system is an essential element for the development of city growth and viability.

In our detailed submission to the provincial government, we have suggested that the existing revenues, plus that derived from the increase in fuel tax, be pro-rated and granted back to the municipalities on a per capita formula. We would contend that at least the amount received from revenues by way of fees, licenses, etc. from the total transportation section should be utilized in expenditures in the transportation field.

The city also faces an enormous operating deficit, approximating \$2.3 millions for the Edmonton Transit System. Urbanization will eventually result in the need for rapid transit, a direction to which the city is now planning, and this will require additional funding in the neighbourhood of several million dollars. These large sums attributed directly to problems of urbanization, of necessity, are a cost that must be assumed by senior levels of government, and they are a basic requirement in the total economy of our city.

#### Education

Education truly falls in the category of the provincial or even national responsibilities. Its benefits are national in scope and thus all costs should be borne by the senior levels of government having a national and regional tax base which, in the long run, benefits from the expenditure.

#### Libraries

We would suggest that libraries be considered an educational facility, and by the same reasoning fall into the category of regional or national character, and all costs should be borne by senior levels of government. Should the municipality, of course, use the facility for special purposes, such as the promotion of community use of schools or other innovative programs, these costs should be borne by the municipality.





### Administration of Justice

Similar reasoning prevails inasmuch as the city not only provides for the courts to ensure that its bylaws are enforced, they are also used for enforcement of the Highways Traffic Act and the Federal Criminal Code. Legal enforcement is a national concern and should, therefore, be borne by senior levels of government. The landlord and Tenant Advisory Board should also be financed by provincial revenues, particularly since one of its results is to relieve the Small Debts Court of part of its caseload.

### Other Observations

There are other items that affect the general problem of provincial-municipal financing, such as:

#### Assessment Procedures & Practices:

There is a great deal of confusion surrounding assessment practices and procedures. This confusion exists with respect to assessment practices at the local municipal level and the equalization procedure of the Equalization Board.

The report of the Special Committee appointed by the Government of Alberta to study Assessment and Taxation was presented in March, 1970. This Special Committee was initiated in response to objections raised to *Bill 35 - An Act to Amend the Assessment Act*. While accepting many of the recommendations of the S.C.O.A.T., the city would like to make some comments regarding this report.

1. There was insufficient indepth study of the problem. Assessment of property is a complex matter and to develop meaningful recommendations requires careful, indepth studies. We are satisfied that such detailed studies were not carried out.



2. There is clear evidence in the S.C.O.A.T. report of bias in favour of rural property holders. We feel that the problem of urban assessment was not given adequate consideration. As a result, some of the recommendations are biased in favour of rural assessment. Quite apart from the existing problems in the assessment field which, incidentally, have been in existence for some time, and which remain to be corrected, the Committee's comments with respect to assessment practices in general are pertinent, for it is these areas of concern that should be reviewed and evaluated in any consideration of provincial and municipal fiscal relationships.

*"The demands for new and improved services and higher expenditures will prevent any slackening of local levy operations."*

*"Some interesting things are likely to happen in the assessment of property and business if they are to support higher rates of levy. Quality in the assessment governs quantity of the tax. Taxes may increase only as assessments improve. The trend of improvement in assessment equalization administration of the past ten years will be expected to continue. It may hopefully be predicted that it will, otherwise tax rates will be limited."*

The S.C.O.A.T. report contains 22 recommendations. As previously stated, we recognize the bias of the Committee, together with the time limitation within which it had to work. It is clear, however, that further detailed studies are required to be made into the tax base, out of which significant revisions to the existing legislation would be made.

#### Semi-autonomous Boards

Over the years there has been a proliferation of boards meant to be of assistance to City Council, which has effectively split the division of responsibility and authority, and now no



longer are they accountable to the elected officials of the municipality. We refer to such boards as the Police Commission, the Library Board, the Royal Alexandra Hospital Board and others who now are partially autonomous, and who requisition upon the municipality.

This whole area must be reviewed as local government, if it is to be responsible and accountable, must have full control of all expenditures within its jurisdiction. It must set its own priorities and make its decisions based upon the resources available to it. It can no longer tolerate the intrusion of such boards and we suggest a major study resulting in legislative changes to this end be considered and recommended by the task force.

#### Boundaries Commission

The City of Edmonton has made submissions to the present government with respect to the municipal boundaries in the Edmonton metropolitan area. It is our submission that one government would be the most effective, the most economical and the most efficient for the region concerned.

The growth of population centres around the larger urban centres has resulted in effect in the creation of "*Metroplex counties*". These are defined as a cluster of contrasting (i.e. rural-urban) heterogeneous communities sharing geographic, economic and social interests. The words "*in effect*" are emphasized for, in fact, these are all governed by separate bodies and often intervened in by the Province creating haphazard governmental confusion and complexity.

Economic and social conditions and patterns have changed in the rest of Alberta, since the present municipal boundaries were drawn. Rural municipalities approaching economic obsolescence are Edmonton's concern in human and economic terms. Edmonton does not object to provincial equalization among economically viable communities, but does object to the subsidization of municipalities which are not economically viable.





Adjustment of municipal boundaries is required to accommodate the new face of Alberta. The City of Edmonton recommends the appointment of a Boundaries Commission, with adequate research resources to design municipal boundaries to fit Alberta today.

## THE RESOURCES

Throughout the submission we have referred to responsibilities and where they lie, and have suggested that in many instances present services supplied by municipalities be transferred, at least cost-responsibility wise, though not necessarily administration wise, to the provincial government. We are fully aware that this will cost the provincial government considerable sums of money.

Where will it come from?

*Urban Crisis* comes to these conclusions:

In simple terms, local government, under existing legislation, just does not have the resources available to finance such expenditures.

The provincial government does. Its tax base is such that it has not had to fully utilize the scope or amounts it can raise from present sources, but it also has not "tapped" other sources at its disposal.

For example, the report estimated that in the period of 1975 - 1976:

- an increase of 1% in PERSONAL INCOME TAX would yield 5.3 MILLION DOLLARS.
- an increase of 1% in CORPORATION INCOME TAX would yield 6 MILLION DOLLARS.



- an increase of 4¢ per gallon on GASOLINE and DIESEL FUEL would yield 25.7 MILLION DOLLARS.
- an increase of \$10.00 per license in MOTOR VEHICLE LICENCE fees would yield 8.5 MILLION DOLLARS.



and

- an imposition of 5% tax on RETAIL SALES and SERVICES (excluding food, shelter and drug items) would yield 150.2 MILLION DOLLARS.

The alternative is to allow local government to enter new tax fields such as:

- municipal sales tax
- poll tax
- taxation of motor vehicles
- occupancy tax on apartments
- occupancy tax on hotels and motels
- municipal income tax
- added value tax
- insurance premium tax
- and others.

This would not only create a horrendous tax jungle within the province as each municipality imposes different combinations in different amounts but it would also only raise a pittance of the amounts requested to pay for the "people" services referred to above. Only the millions of dollars available to the Province can accomplish this effectively and equitably.

The Provincial Government must accept the principle that these funds can be transferred unconditionally to the municipality and in so doing they can transfer responsibility as well and make the municipality accountable to the people of this province for its use.



## THE FUTURE:

We have recognized and admitted that the problem is complex. We expect no miracle or pat solution from the government or the Task Force assigned this specific problem.

We do suggest, however, that because of this complexity the problem warrants a complete and indepth investigation prior to a suggested course of action. Our city has spent considerable time and effort in its review on this matter. With the limited research resources available to us, we can only come to the conclusion that our comments might be superficial inasmuch as we have not followed them to an ultimate conclusion or studied all the possible ramifications. It was with this thought in mind that our city fully endorsed the establishment of the Commission. The Commission was to devote full time to the project, be equipped with an adequate budget, employ talented research assistance and hear from all citizens, organizations and agencies on these matters.

We would hope that if there is any doubt in the minds of government about the findings of the Task Force or about its own suggestions for tax reform, that it seriously consider a reversal in its course and revert to the Commission concept so that resultant legislation will not be part of a further piecemeal solution.

We would be pleased to supply information in detail on any of the comments in this report or in the detailed studies referred to.

We respectfully request your serious consideration on the matters discussed and suggestions made in this submission.





## APPENDIX A

### TERMS OF REFERENCE FOR THE M.L.A. TASK FORCE ON PROVINCIAL-MUNICIPAL FINANCING

1. To make an inquiry into the proper division of responsibilities between the Province of Alberta and the Local Authorities, including municipal, educational and health authorities, with a view to determining
  - ( i ) the nature of the services that can best be discharged by
    - (a) the Provincial Government; and
    - (b) Local Authorities; and
  - (ii) the fairest, most economical and efficient means of funding the services to be provided by Local Authorities, including the allocation by the Province to Local Authorities of
    - (a) specific sources of revenues;
    - (b) a definite percentage of specific fields of revenue;

not excluding the possibility of the provision of conditional or unconditional grants by the Province to Local Authorities to supplement, if necessary, the specified sources of revenue.
2. With additional powers and guided by policies and procedures as set out in the Appendix attached hereto.



APPENDIX

1. In particular, but not to the exclusion of other matters, the M.L.A. Task Force on Provincial-Municipal Financing (hereinafter called "*the Task Force*"), shall
  - (a) co-operate and co-ordinate its studies in the field of education with the study being carried on by the Commission on Educational Planning in the financing of the total educational organization as is provided in Section 1, Clause (e) of the Appendix to Order-in-Council numbered O.C. 1126/69
  - (b) enlist the aid of Government officials at all levels and in all departments of the Government in the consideration of the problems involved in this inquiry
  - (c) consult with such organizations and individuals as the Task Force may deem desirable, and accept for consideration such articles and submissions from such persons or organizations as the Task Force may deem desirable, and include in their consideration any question which they may hold to be relevant.
2. The Task Force shall, in addition to the aforementioned, pay special regard to the following possibilities and problems:
  - (a) the possible relief of property tax from the financing of human resource programmes such as education, health and welfare.
  - (b) the possibility of funding the Foundation Plan for Education wholly by the Province
  - (c) the possible exemption of senior citizens from any responsibility for education funding through property tax
  - (d) the exemption of senior citizens from medicare premiums,
  - (e) the present and future debt load at both levels of Government
  - (f) ways and means of financing transportation requirements in the Province
  - (g) areas in which possible savings may be effected in Government spending at all levels.

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